

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1968 - HB 2424

March 5, 2018

SUMMARY OF BILL: Establishes that, upon the approval of the sale of wine on Sundays by retail food stores and retail package stores, proceeds from the wine gallonage tax from such Sunday sales are to be allocated to a separate account within the General Fund, entitled the Low Income Children Pre-Kindergarten Scholarship Fund (the Fund). Monies in the Fund shall be available to the Department of Education (DOE) to establish a scholarship program for children from low income families.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – This legislation does not authorize the sale of wine on Sundays; however, should legislation authorizing such sales be enacted into law, an amount exceeding \$486,000 per year would be allocated to the Low Income Children Pre-Kindergarten Scholarship Fund to be used by the Department of Education to establish a scholarship program for children from low income families. In the absence of this legislation, an amount exceeding \$400,950 would be deposited into the General Fund, and an amount exceeding \$85,050 would be allocated to the local government.

Assumptions:

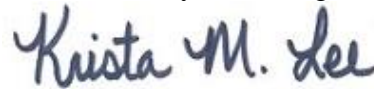
- Based on information from the Department of Revenue (DOR), sales tax collections from liquor stores in FY15-16 were \$66,088,455. Based on the added availability of wine in retail food stores as of July 1, 2016, and regular growth rates, under current law the total sales tax collection from the sales of packaged alcoholic beverages is reasonably estimated to exceed \$72,000,000 in FY18-19.
- Estimates of increases in sales of alcoholic beverages in states where Sunday sales prohibitions were repealed range from three to five percent.
- State sales tax collections will increase by an amount estimated to exceed \$2,160,000 (\$72,000,000 x 3.0%).
- This legislation only impacts the sale of wine on Sundays; therefore, it is reasonably estimated that Sunday collections will only be 50 percent of the aforementioned amount or \$1,080,000 (\$2,160,000 x 50%).
- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The recurring increase in local revenue from the state-shared allocation is estimated to be \$39,064 (\$1,080,000 x 3.617%).

SB 1968 - HB 2424

- The recurring increase in state sales tax revenue is estimated to be \$1,001,873 (\$1,080,000 - \$78,127).
- The average local option sales tax rate is 2.5 percent statewide, or approximately 35.714 percent ($2.5 / 7.0$) of the state sales tax rate.
- The permissive recurring increase in local option sales tax revenue is estimated to be \$385,000 ($\$1,080,000 \times 35.714\%$).
- Alcoholic beverages are taxed additional excise taxes per gallon based on the type of alcohol.
- Based on information from the DOR, additional wine tax collections from such sales will equal approximately 45 percent of state sales tax collections.
- The total recurring increase in alcohol excise tax collections is estimated to exceed \$486,000 ($\$1,080,000 \times 45.0\%$).
- Pursuant to Tenn. Code Ann. § 57-3-306, such excise tax collections are distributed 82.5 percent, or \$400,950 ($\$486,000 \times 82.5\%$) to the General Fund, and 17.5 percent, or \$85,050 ($\$486,000 \times 17.5\%$) to counties.
- Pursuant to this legislation, all of such tax revenue shall be allocated to the newly established Low Income Children Pre-Kindergarten Scholarship Fund.
- Sales of alcoholic beverages may cannibalize some sales of beer on Sundays and holidays; however, there will be an increase in beer sales at stores currently closed on Sundays and holidays that will now open on such days. The net impact on sales of beer is estimated to be not significant.
- All other impacts on tax collections related to sales of alcoholic beverages, beer, complementary goods, and business related taxes are estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb